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SUBJECT: Lecture by German Economic Minister Ludwig Erhard on European Economic Organization

On Monday, March 23, Minister Erhard delivered one of the regular monthly lectures before the Centro Italiano di Studi per la Riconciliazione Internazionale (Italian Center for Studies on International Reconciliation) at the Braccio di Roma. The Center has succeeded in securing the presence of a number of distinguished European economic and political figures and the audience usually contains a number of leaders of the Italian political and economic community. Minister Erhard's lecture was outstanding in this respect and the attendance was a notable tribute both to Erhard's personal stature and the recognition of German economic prominence on the Continent. An audience including former President Einaudi, Prime Minister Segni and several other cabinet members including Pella, Tancredi, Ferruzzi-Agradi, and Medici plus the British, French, German, Austrian, Philippine, Danish and several other ambassadors sat for two hours in a badly over-crowded and over-heated room listening to a forceful exposition by Erhard of his known views on a free market economy and an expanded European Economic Community. In the absence of the Ambassador, who was in Se. Lima delivering an address, the U.S. Embassy was represented by an Embassy Counselor.

Erhard's delivery was truly impressive. He spoke in German without any notes, talking in approximately five-minute segments each followed by a verbatim translation into Italian.

He opened by referring to his known conviction that a free market economy was the solution to most economic problems, particularly in Germany. He did, however, recognize that this did not apply to all situations and said that some years ago he had agreed with the late Italian Minister Vassini that the problem involving the development of southern Italy was an obvious exception. He commented that the maintenance of a free market economy usually did not meet with much popular acceptance in its early stages. His experience in Germany had been that business interests had welcomed it enthusiastically in advance and that the mass of the people had opposed it, but after some years of successful application he found a very large measure of mass acceptance and at the same time a growing number of protests at some of the hardships involved on the part of business men.

W. J. J. /lag

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He alluded to his sponsorship of anti-trust legislation and to protective reductions in German tariffs which he said aggregated about 40 per cent. He said those were made not in the interests of firms exporting to Germany but in order to insure that German industries would remain competitive.

He then turned his attention to European economic organization and won the obvious approval of the British, Austrian and Danish Ambassadors by endorsing strongly continuing efforts to expand the area of economic consolidation beyond the present limits of the German Empire. He urged that the main emphasis be on commercial aspects rather than political aspects of this integration in the interests of this broadening and to prevent the creation of artificialities for states such as Austria and Switzerland. He also urged the greatest possible flexibility in organizational and institutional structure for the same reasons.

He ended his speech with a strong stand against compromise on political principles and a recognition that there were higher factors than purely economic considerations to be considered by economic statements. By this he was apparently referring primarily to social and moral rather than political objectives.

For the Ambassador:

Karl D. Selim
First Secretary of Embassy

cc: Bonn
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